

**MINUTES OF A MEETING
KENTUCKY WORKERS' COMPENSATION FUNDING COMMISSION
BOARD OF DIRECTORS**

April 27, 2017

Opening of Meeting:

1. A special meeting of the Board of Directors of the Kentucky Workers' Compensation Funding Commission was held on April 27, 2017, in the Commission's conference room, located at 42 Mill Creek Park, Frankfort, Kentucky. Madam Chair Judy Long called the meeting to order.
2. Angela Calloway announced the meeting will be recorded in accordance with Kentucky Revised Statute 61.835.
3. Madam Chair Long verified the press notice and asked for roll call.

Directors Present:

4. Judy Long, Self-Insured Employers Representative
Ted Luckett, Labor Representative
Secretary Derrick Ramsey, Labor Cabinet
Duran Hall, Commercially Insured Employers
Edwin King, Designee for Secretary William Landrum, Finance & Administration Cabinet
Michelle Landers, Insurance Representative, KEMI

Others Present:

5. Reuben Jones, Executive Director, KWCFC
Renee Haddix, Director of Audit and Collections, KWCFC
Louie Hord, Director of Fiscal Operations, KWCFC
Lisa King, Audit Review Manager, KWCFC
Angela Calloway, Fiscal Services Officer, KWCFC
Gordon Stammel, Computer Network Manager, KWCFC
Michael Swansburg, General Counsel, Labor Cabinet
Jon Stewart, President & CEO, KEMI
Bob Swisher, Acting Commissioner, Dept. of Workers' Claims
Rusty Ashcraft, Alliance Coal
Jim Carpenter, Uninsured Employers Fund
Andrew Manno, LRC
Tracy Crawford, Alliance Coal
Carla Montgomery, LRC

Dustin Miller, Government Strategies
Marian Johnson, Acting Division Director, Division of Workers' Compensation Funds
Ryan Barrow, Executive Director, Office of Financial Management
Kim Bechtel, Financial Portfolio Administrator, Office of Financial Management
Brooken Smith, Chief of Staff, Labor Cabinet

Board Member Oath of Office

6. Madam Chair Judy Long issued the Oath of Office to newly appointed Board Member, Ted Luckett.

House Bill 377 Review

7. Madam Chair Long gave a brief statement regarding the work accomplished in this legislative session on HB 377 and thanked those involved.
8. Reuben Jones presented an overview of HB 377 (presentation on file for referral). Mr. Jones pointed out major tenants of the bill and actions by the Funding Commission anticipating approval of the bill.

Stakeholder Concerns

9. Each agency was given the opportunity to present their concerns regarding the implementation of HB 377.
10. The Workers' Compensation Funding Commission presented several concerns, some of which were shared by other agencies. Concerns were presented along with proposed solutions and steps needed for resolution.
11. Renee Haddix was asked to comment on how HB 377 impacts assessment payer audits. She explained the Commission has concerns due to the audited information being proprietary and of confidential nature. The Commission and KEMI will meet and discuss the best way to resolve concerns.
12. Michelle Landers stated the discussion will continue concerning audit information to be transferred to KEMI and the audit responsibility should remain with the Commission.
13. Jon Stewart stated Secretary Ramsey, the Department of Insurance, and he believe the "dust needs to settle" before any type of NCCI rate review is conducted. He explained a discussion regarding lowering the assessment rate moves the burden of paying 50% of the indemnity benefit to the employer, which is the Insurance carrier or the Self-Insured. The Department of Insurance regulates how the NCCI rate is established and managed.

14. Duran Hall stated employers in the state of Kentucky only have three options for coal insurance coverage. Jon Stewart provided KEMI, AIG and Zurich as providers. Mr. Hall added Brickstreet as well. He further stated there is strong indication that two of those companies have basically stopped providing coal coverage or will exit the market.
15. KEMI presented their concerns and stated some of their concerns were addressed by Mr. Jones. Jon Stewart noted KEMI's biggest concern is getting the data and claims established in their system. He said KEMI will have a dedicated team managing the process. Once this team works through the claims in abeyance and those across the adjudication process, he believes it will be a "piece of cake."
16. Tracy Crawford asked about future claims in abeyance. Michelle Landers answered any claims between now and July 1, 2017, will be business as usual and any claims in abeyance after June 30, 2017 will be managed by a dedicated person at KEMI. Any claims filed after July 1st will be the responsibility of the carrier or the Self-Insured Employer having responsibility for 100% of the claim at that point. She restated anything prior to June 30th has coal fund responsibility for 50% of that indemnity. Ms. Landers explained she does not want to slow down any claims in that process of being settled or litigated and that is why they wanted it to be business as usual up to that point.
17. Bob Swisher presented the concerns on behalf of the Department of Workers' Claims. He said they would coordinate with KEMI on the settlement of claims and timing of the last check run. Mr. Swisher said the biggest concern for Workers' Claims is data migration and transfer of Coal Workers' Pneumoconiosis Fund claims to KEMI.
18. Edwin King presented concerns on behalf of the Office for Financial Management. Mr. King said OFM just needs to know when to transfer the funds. He said the investments are in mutual funds so there will not be any loss in liquidating assets. Ryan Barrow added they will need to know where to wire the funds and they will monitor the transaction. Louie Hord stated the Commission would wire the money because we are authorized on the account to handle the transaction.
19. Secretary Derrick Ramsey gave brief comments regarding the coal situation and thanked everyone for their hard work and dedication in making this process a reality.
20. The Cabinet for Economic Development had no concerns.

House Bill 377 Investment Opportunity

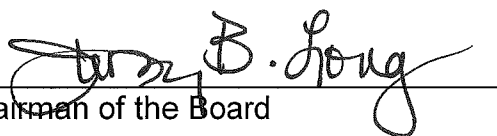
21. Reuben Jones reported with the passing of HB 377 the Commission has the opportunity to adjust the investment strategy by hiring investment professionals. He also stated OFM will be consulted as the Commission moves forward.
22. Louie Hord added the responsibilities of the investment consultant will be to advise the formulation of new investment policies and procedures, recommend new asset allocations, provide investment summaries to the Board at regularly scheduled meetings, coordinate the efforts of the investment managers, and advise the Commission on current economic matters that impact investments.
23. Mr. Hord asked for the Board's approval to develop an RFP, along with the participation of OFM, to hire an investment consultant.
24. Edwin King clarified after the development of the RFP for a consultant, then there would be separate RFPs for the managers. Mr. Hord confirmed.
25. Mr. King made the motion to develop an RFP to hire an investment consultant. Michelle Landers seconded the motion. Motion carried.

Other Comments

26. Reuben Jones presented a Stakeholder meeting schedule to the Board. These meetings will focus on specific topics and develop solutions for a smooth transition.
27. Madam Chair Long asked for a motion to approve a special Board of Director's meeting on June 21, 2017. Derrick Ramsey made the motion. Michelle Landers seconded. Motion carried.

Adjournment

28. Duran Hall made a motion to adjourn. Michelle Landers seconded the motion. Motion carried.


Chairman of the Board